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UNFPA INTERNAL AUDIT AND OVERSIGHT ACTIVITIES IN 2007

Report of the Executive Director

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List of Acronyms

AAC	**Audit Advisory Committee**
Atlas	**PeopleSoft ERP financial system**
AWP	**Annual Workplan**
BoA	**United Nations Board of Auditors**
BSC	**Balanced Scorecards™**
COSO	**Committee of Sponsoring Organizations of the Treadway Commission**
DBS	**Direct Budget Support**
DHR	**Division for Human Resources (UNFPA)**
DOS	**Division for Oversight Services (UNFPA)**
ERP	**Enterprise Resource Planning**
HACT	**Harmonized approach to cash transfers to implementing partners**
ICF	**Internal Control Framework**
IIA	**Institute of Internal Auditors**
IPSAS	**International Public Sector Accounting Standards**
OIOS	**Office of Internal Oversight Services**
OMP	**Office Management Plan**
PAD	**Performance Appraisal and Development**
RBB	**Results-based Budgeting**
RBM	**Results-based Management**
RIAS	**Representatives of the Internal Audit Services of the United Nations Organizations and Multilateral Financial Institutions**
SWAps	**Sector-wide Approaches**
UNDG	**United Nations Development Group**
UNEG	**United Nations Evaluation Group**
WAVES	**Worldwide Assessment of Vulnerabilities System**

I. INTRODUCTION

1. The Executive Director is pleased to present to the Executive Board a summary of the internal audit and oversight activities of UNFPA in 2007.

2. At the Annual session 2007, the Executive Board noted in decision 2007/29 that "accountability and transparency were integral to sound management". In the same decision, the Board requested to be informed of actions taken to mitigate risks related to business processes and information technology and called upon UNFPA to further strengthen the national execution modality by addressing the operational risks and weaknesses identified in the audit reports. The Board also requested UNFPA to implement the recommendations of the audit reports and to report on their implementation at the Annual session 2008.

3. The present report complies with the requests contained in decision 2007/29, as well as in decision 2006/13. The report also responds to the decisions adopted by the Executive Board in 2004 and in 2005 for UNDP, UNFPA and UNOPS. The risk-based approach provides a comprehensive review of complex and technical issues to enable the Board to monitor the performance of UNFPA and to give guidance to the Executive Director on the work of the Fund, as set forth in resolution 48/162 of the General Assembly.[1]

II. ASSURANCE IN UNFPA

A. Oversight activities in 2007

4. In 2007, the UNFPA Division for Oversight Services (DOS) carried out 17 audits. These audits were carried out in nine countries in the Africa region, four countries in the Latin America and the Caribbean region, two countries in the Arab States, Europe and Central Asia regions, and two countries in the Asia and the Pacific region (see also figures 1 and 2 and tables 1 and 2).

5. To strengthen oversight follow-up, DOS and the UNFPA Management Information Systems Branch implemented an improved oversight recommendation tracking tool. The new tool, which became fully operational during the last quarter of 2007, is web-based and user-friendly and enables UNFPA country offices and geographical divisions to more easily enter and monitor the actions taken to implement the oversight recommendations.

B. Quality assessment of the Division for Oversight Services

6. In 2006, DOS undertook a quality assessment of its procedures and operations benchmarking against the professional standards of the Institute of Internal Auditors (IIA). The results of the exercise were communicated within the organization. DOS is proceeding with the implementation of the recommendations, in particular with regard to documenting practices and procedures, staffing resources for investigations, supervision over assignments and issuance of audit reports.

[1] See General Assembly resolution 48/162: Further measures for the restructuring and revitalization of the United Nations in the economic, social and related fields.

C. Audit Advisory Committee

7. The Audit Advisory Committee (AAC) was established in October 2006 and held four meetings in 2007. The Chair of the AAC attended the Second regular session 2007 of the Executive Board.

8. The AAC reviewed the DOS workplan and followed up on the work performed by DOS. The AAC was regularly briefed on the developments taking place in UNFPA such as the implementation of the International Public Sector Accounting Standards (IPSAS), Atlas and the Fund's reorganization. The AAC also followed up on the work done by the United Nations Board of Auditors. Meanwhile, DOS followed up on the implementation of the recommendations made by the AAC.

9. In accordance with its terms of reference, the AAC submitted a report on its work for the year 2006. The report can be found on the UNFPA Executive Board website **www.unfpa.org/exbrd** under the documents for the Annual session 2007. A report covering the 2007 activities of the AAC will be made available to the Executive Board at the Annual session 2008 and will be posted on the aforementioned UNFPA Executive Board website.

D. Inter-agency cooperation and harmonization

10. In accordance with the request made by the Executive Board in decision 2006/13, UNDP, UNFPA, UNICEF and WFP are now using harmonized and standardized audit ratings. Furthermore, UNFPA and UNDP oversight divisions have harmonized, to the extent possible, the structure of their annual reports to the Executive Board.

11. UNFPA participated in the bimonthly meetings of the inter-agency audit working group on joint offices and multi-donor trust funds. The working group developed an audit framework for multi-donor trust funds and worked on accountability and audit for "Delivering as One" United Nations offices as well as on arrangements for auditing common funds or inter-agency interventions. These efforts contributed to further harmonization of audit work processes across the funds and programmes belonging to the United Nations Development Group (UNDG).

12. UNFPA also contributed to the inter-agency advisory committee monitoring the implementation of the harmonized approach to cash transfers to country offices, the audit working group and to several meetings on IPSAS. These meetings covered the review of financial rules and regulations with a view to harmonizing them with those of the United Nations, UNDP, UNICEF and WFP. The implications of the implementation of IPSAS for UNFPA financial statements and operations were also reviewed.

13. During 2007, UNFPA participated in the United Nations Evaluation Group (UNEG) Task Force on Evaluation Guidance for Human Rights and Gender Equality and the evaluation training group of the UNEG Evaluation Capacity Development Task Force. The Task Force on Evaluation Guidance for Human Rights and Gender Equality was constituted following the 2007 Annual General Meeting of UNEG in Geneva. Its objective is to develop a guidance document on the management and conduct of evaluations using a human rights and gender equality perspective. Key task force activities included a mapping of existing evaluation guidance and the development of a concept note which included a draft annotated outline for the guidance material.

E. Fraud monitoring and control activities

14. With the assistance of a global accounting firm (Deloitte and Touche), UNFPA implemented a series of important actions to prevent fraud including a cost-effective anti-fraud programme and controls methodology which is consistent with the standards of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The activities conducted included agency-wide fraud risk assessments, diagnostic surveys and anti-fraud and ethics training workshops for UNFPA staff in five regions and at headquarters. UNFPA will use this exercise going forward in 2008 to continue to sensitize its staff, especially senior managers, on what constitutes risk, and what risk management involves.

15. In furthering its commitment to accountability, UNFPA has created an Ethics Office, adopted a whistle blower protection policy and established a fraud hotline. This will be supported by continued advocacy and information so that potential users know how to initiate complaints. Staff members need to accommodate this new reporting mechanism within the context of a new culture of fraud awareness and prevention. The management of UNFPA will continue its efforts in enhancing a culture of transparency and accountability.

16. In 2007, UNFPA conducted investigations of allegations reported by UNFPA country offices. The results are outlined below:

Allegations	Confirmed	Not confirmed
Procurement	0	2
Harassment	2	0
Tampering of documents	1	0
Misconduct	2	0
Total	5	2

F. Staffing

17. DOS staffing in 2007 remained the same as at the end of 2006 (see table 3). The division lacked one auditor and one evaluation adviser. The recruitment for the vacant auditor's post had been delayed as two of the selected candidates declined the post. Consequently, DOS hired consultants to supplement the oversight mission team on several missions. The evaluation adviser's post was filled in January 2008. The difficulty in hiring competent auditors is related to the decreasing competitiveness and attractiveness of employment conditions in the United Nations in comparison with those offered in the private sector and by other development partners, including the international financial institutions, the European Commission, foundations and global funds.

18. In order to fulfil the roles and functions as set forth in its Charter, the DOS structure has been reviewed as part of the reorganization of UNFPA and will be strengthened by the addition of two international posts for the new Investigation Branch; and two international posts for the Internal Audit Branch, replacing the previous national posts based in Africa. Thus, starting in 2008, DOS will consist of a Directorate headed by a Director with a Deputy Director, a Special Assistant to the Director and two support staff; the Internal Audit Branch, headed by a Chief with seven Audit Specialists and two support staff; the Evaluation Branch, headed by a Chief with three Evaluation Advisers and one support staff; and the Investigation Branch, headed by a Chief with one Investigation Specialist. The required new posts (i.e.,

related to investigations) were approved by the Executive Board as part of the UNFPA biennial support budget for 2008-2009.

III. RISK ASSESSMENT AND AUDIT PLANNING

A. Risk classification

19. The risk classification adopted by UNFPA has been extensively described in document DP/FPA/2006/4. In accordance with the request made by the Executive Board in decision 2006/13, the same approach has been followed in the present report. Further refinements have been made in the linkages between risks, deficiency category and causes and in the statistical design of the risk model (annex 1 provides an overview of the risk linkages).

B. Risk model

20. As noted earlier in documents DP/FPA/2006/4 and DP/FPA/2007/14, the purpose of the risk model is to: (a) assess the risk profiles of UNFPA entities and to decide on the priorities of the audit and oversight missions to be undertaken in the year; and (b) keep track of the Fund's risk universe. The risk model developed for the selection of the field audit locations in 2007 maintains the importance of more frequent audits of the larger (in terms of financial expenditure) and more risky entities. The model also includes considerations of financial management and programme performance in order to highlight potentially weaker entities for an oversight mission. The quantitative aspects of the model serve as the basis for further analysis and for further discussion with management, the Audit Advisory Committee and the external auditors.

21. The Division for Oversight Services continued to improve its risk-based audit planning system to ensure that its priorities are consistent with the goals of UNFPA. The results presented to the Executive Board at the Annual session 2008 have been computed on the same set of variables used in 2007. The list of variables used to present results in this document is provided in annex 2. During 2007, DOS developed a more comprehensive model to include additional factors of risk related to programme relevance and management, thus encompassing the performance dimension. The availability of at least two annual series of data will enable DOS to check the reliability of the new model and to present consolidated results at the Board's annual session in 2009. As a follow-up to the training on fraud prevention completed in 2007, country offices have received individual reports generated by the UNFPA Worldwide Assessment of Vulnerabilities System (WAVES) that provides an assessment of vulnerabilities and relative vulnerabilities within the entire UNFPA risk universe and its regional subsets. This tool helps managers to identify risks and to take corrective measures in a timely way.

C. Risk model results

22. The risk model gives three types of results: (a) an entity-specific risk assessment, based on the variables (see figure 3); (b) a global one, based on the aggregation of variables for each risk category (see figure 4); and (c) a change in the entity's risk compared with the preceding year (see figure 5).

1. UNFPA risk universe

23. The risk universe of UNFPA includes 136 entities (country offices, subregional offices and country technical services teams). The risk model produces a mapping of entities according to their vulnerability.[2] Figure 3 provides a mapping of entities according to the likelihood[3] of risks[4] and their vulnerability based on 2006 available data. The model also provides an analysis of the volatility of the risk universe. Out of 136 UNFPA entities, 62 per cent had a greater vulnerability and 38 per cent a lesser one in 2006, compared with 2005. The analysis of the change in risk profiles is illustrated in figure 4.

2. Global risk assessment

24. As indicated in document DP/FPA/2006/4, the risk model provides a global risk assessment. With the availability of comparable data for 2005 and 2006, the model also provides some indications of trends (see figure 5). In comparison with 2005, the 2006 global risk profile of UNFPA appears to have higher risks levels in the "People" and "External" risks categories. The former is mostly due to a high vacancy rate of posts for Representatives and Deputy Representatives. These vacancies have subsequently been filled. The increase in the "External" risk category is independent from UNFPA activities and control and is mostly due to the deterioration of security situations in several countries. The decrease in the "Relationship" risk category that reflects on the reliability of UNFPA programme modalities is mostly due to the effort by management to reduce the amount of outstanding balance at the end of the year, and better programme monitoring. The changes in the "Process" category remain limited and will be improved by a more systematic use of a well structured internal control framework (ICF).

3. Predictability value of the risk model

25. The risk model is used to select entities for audits. Therefore, it is important to statistically test if the model has any validity in predicting the performance of an entity. The tests conducted by DOS show that the rank of vulnerability given by the model and country offices audit ratings correlate. DOS will continue to monitor the accuracy and reliability of the risk model and will improve it through an iterative process based on the accumulation of a series of data and a more precise analysis of the risk factors. The risk model is improving the ability of UNFPA to assess the likelihood of risks and their evolution over time.

IV. SIGNIFICANT AUDIT RESULTS

A. Main findings in 2007

26. Eighteen reports were issued in 2007. With regard to 17 of these reports, the level of internal controls and the compliance with financial, administrative, human resource, information technology and programme requirements were found to be satisfactory in three offices, partially satisfactory in 10 offices and unsatisfactory in four offices. One report was on the audit of the UNFPA regional projects undertaken by an external consultancy which identified internal control weaknesses in the management of the regional

[2] The vulnerability is the level of potential financial gain or loss in relation with the level of risk. It is an expected value.

[3] The likelihood of a risk is the probability that the risk will affect the operations of an entity.

[4] A risk is the chance of something happening that will have an impact on an organization's objectives.

and global projects managed by headquarters entities. Table 1 shows the breakdown of audit ratings by year of report issued. Figures 2 and 6 provide additional details with a breakdown of audit ratings by region, year and category. Figure 6 shows that there was no significant shift in the distribution of risks between 2006 and 2007.

1. Process risk

27. Figure 7 depicts the sources of process risk. It shows that process risks were comprised of recommendations related to finance (36 per cent), general administration (34 per cent), programme (22 per cent), and other (8 per cent). The risks in finance included weaknesses in disbursements, procurement, project closure and the maintenance of the vendor database. The risks in general administration included weaknesses in the maintenance of asset and inventory records and the management of vehicles. The risks in programme management included weaknesses in programme development and management, monitoring evaluating and reporting. To address these issues, inter alia, country programme development and implementation will be improved by a more systematic use of an evidence-based approach, rigorous results-based programme management, and improved strategies for developing the capacity of partner organizations.

2. People risk

28. The major people risk findings relate to delays in service contracts and special service agreements, and filling of vacancies. Table 4 shows a decrease in 2007 in recommendations related to service contracts and special service agreements, and an increase in risks related to staff capacity and expertise, and in the implementation of the country office typology.

3. Relationship risk

29. In 2007, UNFPA received audit reports for the 2006 nationally-executed (NEX) projects for expenditure amounting to $100,588,326 (an increase over the $90,868,893 expenditure for the 2005 NEX projects). This represented 91 per cent (85 per cent for 2005 projects) of the total expenditure incurred on projects executed by Governments and non-governmental organizations. DOS reviewed the audit reports for the year ended 31 December 2006, for which the reports were scheduled to be received by 31 March 2007. A key challenge was the weaknesses in the national execution process for which capacity development must be pursued as a priority.

30. Figure 8 gives an overview of the quality of NEX project audits. Of the 884 audit reports from 80 countries that were reviewed for the year 2006, the completeness of the audit reports and the certification of financial forms improved in comparison to 2005. However, the compliance with the NEX terms of reference and the audit scope, the timeliness of the audit reports and the country office assessment and action plan declined over the same period. The main causes identified by the NEX auditors relate to expenditure not in accordance with activities and budgets, a lack of supporting documentation, financial statements not being available, inadequate books and accounting records, and weak internal controls and monitoring. These findings underscore the close link between relationship and external risks and the need to support national capacity in programme implementation and financial management.

31. In programme management, country programme strategies for targeting the real needs of vulnerable groups were not always adequate. Instances of weak coordination among country programme implementing partners and with other donors were observed. While the programmes were in a broad sense well aligned with the outcomes of the UNFPA 2004-2007 multi-year funding framework, the use of

programme resources needed to aim more strategically at impacting national policies and expenditures on reproductive health, population and development. In particular, there was limited evidence of the use of operations research-based pilot interventions to produce an evidence base for UNFPA to conduct effective advocacy and policy dialogue on critical reproductive health, population and development issues.

4. Technology and systems risk

32. The major technology and systems risk findings relate to insufficient segregation of duties amongst staff in the technology area, inadequacies in disaster recovery plans, data backup processes, local area network, Atlas roles and user access rights, computer security, and computer maintenance (see table 4 for details). Table 4 shows there was an increase in the percentage of recommendations made relating to computer security and Atlas user access and a decrease in the percentage of recommendations relating to disaster recovery plans.

5. External risk

33. The main findings in this risk category pertain to non-compliance with security standards, missing commodities and inadequate disaster preparedness. Staff security remains an area of concern for UNFPA operations in the field.

6. Recurring issues

34. The distribution of significant oversight findings by categories of risks and their recurrence are summarized in table 4. The purpose of the analysis of oversight observations and their recurrence is to identify areas of focus by management to improve both efficiency and effectiveness. However, this analysis needs to be qualified by the following caveats:

(a) Internal audit and oversight reports are a biased source of information, as the selection of organizational entities to be audited is based on their vulnerability. This bias is the reason why the reports identify the same deficiencies over time. For the same reason, no correlation can or should be made between the recurrence of deficiencies and the reliability of the management of the Fund;

(b) The recurrence of observations concerns only a very small biased sample within the risk universe and is not representative of the entire UNFPA population;

(c) Comparability of the 2006 and 2007 figures may be less significant in some instances or unavailable. In order to better capture and analyse oversight observations, the oversight programme underwent a major revision in 2007. As a result, new categorizations with respect to domain and sub-domains were created and in some instances categorizations which were used previously were discarded;

(d) Because of the volatility of the environment in which UNFPA works and of the risk universe of UNFPA (see figure 4), an organizational unit can suddenly become at risk even if its management has been exemplary for several years;

(e) New modalities of intervention require constant adaptation, and innovation carries its own risks. New aid modalities, direct budget support or participation in sector-wide approaches (SWAps), are a typical example of new challenges that need to be managed by the Fund with the Executive Board clearly understanding the implications of these risks.

35. Since they cannot be correlated with the deficiencies in UNFPA management processes, recurrent and unresolved findings should be reviewed in relation to the levels of vulnerability to get a better understanding of efficiency and effectiveness in UNFPA.

V. CONCLUSION

36. Based on the analysis of risks and the recurring types of audit recommendations, three main areas require attention: business processes, national execution, and human resource management.

37. The conclusions of the report on internal audit and oversight activities presented to the Executive Board in 2007 (DP/FPA/2007/14) remain valid for the period covered by the present report, especially, with regard to process and relationship risks.

38. The analysis of available data reveals an increased exposure in the "People" risk category. This is mostly due to the occurrence of vacancies of Representative and Deputy Representative posts in country offices with high vulnerabilities because of the size of their operations or their level of risks. The appointments of Representatives and Deputy Representatives that took place in 2007 should prevent the level of "People" risk from increasing.

39. The above-mentioned challenges should not in any way overshadow the outstanding leap achieved by UNFPA in the areas of accountability, assurance, risk management, internal controls, and fraud prevention. In a very short period of time, these areas have received increased attention from the management of UNFPA. They have transformed the role of the oversight function in the Fund and will continue to re-shape the work of UNFPA. The change in organizational culture that has been initiated successfully requires, more than ever, the continued and full support of the Executive Board.

VI. RECOMMENDATION

40. The Executive Board may wish to:

(a) Take note of the present report DP/FPA/2008/11 and express support for the continued strengthening of the accountability and assurance process in UNFPA and the reorganization of the internal audit and oversight services of the Fund;

(b) Provide the necessary guidance to the Executive Director in addressing challenges in the areas of business processes and national execution.

ANNEX 1: RISK GROUPS AND DESCRIPTION

Risk category	Deficiency category	Cause
External risk		
	Inadequate assessment of governance and capacity of counterparts and provision of assurance activities	Absence of or delayed macro and micro assessments of financial management capacity, technical and programme management capacity, lack of or inadequate capacity-building support and assurance activities
	Inadequate security assessment and management	Lack of compliance with Minimum Operating Security Standards (MOSS) and Minimum Operating Residential Security Standards (MORSS), lack of office security plan, theft
	Incomplete arrangement and transparency in UNDP common services	Regulatory change, legal change, inaccurate charges, etc.
People risk		
	Delayed appointment of office staff	Long vacancies in critical management, programme and operations posts, unavailability of qualified staff, hiring/firing, etc.
	Deficiency in contracting project staff and consultants	Long vacancies in critical project posts, unavailability of qualified staff and consultants, hiring/firing, etc.
	Fraud	Fraud, trading misdeeds, infractions to the United Nations standards of conduct
	Unethical behaviour	Abuse of authority, harassment, abuse, illegal acts
	Lack of or inadequate staff management and capacity-building	Absence of office training plan, performance appraisal and feedback, supervision and guidance, and staff development opportunities Lack of or inaccurate organizational chart, staffing table and deviation from typology
	Lack of capacity to articulate, monitor and evaluate the country programme/country programme action plan priorities	Vacancies, lack of posts, staff competency in results-based management, monitoring, evaluation and operations research
Process risk		
	Lack of bank reconciliation	Lack of proper due diligence, inadequate/problematic account reconciliation, etc.

Risk category	Deficiency category	Cause
Process risk (cont.)	Lack of or inadequate supporting documents	Lack of proper due diligence, inadequate/problematic account reconciliation, etc.
	Unnecessary manual payments	Lack of proper due diligence, inadequate/problematic account reconciliation, etc.
	Slow financial closure of projects	Lack of proper due diligence, inadequate/problematic account reconciliation, etc.
	Improper processing of purchase orders (pending, not approved, inaccurate)	Lack of proper due diligence, incorrect procurement procedures, etc.
	Inadequate procurement processes	Lack of proper due diligence, incorrect procurement procedures, etc.
	Lack of physical receipts of goods	Lack of proper due diligence, incorrect procurement procedures, etc.
	Incomplete or inaccurate records of assets	Lack of proper due diligence, incorrect procurement procedures, incorrect asset management, etc.
	Lack of or inadequate personnel administration	Lack of proper attendance and leave records, overtime, personnel records, etc.
	Inadequate situation analysis and identification of programme priorities	Lack of compliance with CCA/UNDAF guidelines, lack of vulnerability analysis and targeting, data unavailability, etc.
	Inadequate systems of results-based management in place, including database and knowledge sharing	Poor knowledge and capacity in RBM, poor logical framework and inappropriate indicators, lack of data collection and database
	Inadequate programme monitoring and reviews	Poor knowledge and capacity in monitoring, lack of compliance with programme guidelines, lack of monitoring plan, time/staff constraints, unavailability of reports
	Inappropriate measurement of programme impact and poor evaluation coverage and quality	Poor knowledge and capacity in evaluation and impact measurement, lack of operations research, poor evaluation standards, small number of evaluation, difficulty with joint programmes and sector programmes

Risk category	Deficiency category	Cause
Relationship risk	Lack of compliance with legal requirements, programming processes, national relevance and selection of partners	Missing signatures, agreements, inadequate stakeholder involvement, non-alignment with real needs and national priorities, ability of implementing partners to meet requirements
	Lack of or inadequate alignment with UNFPA strategies in programme	Lack of compliance with the strategic plan (inadequate policy dialogue and advocacy, partnerships, use of knowledge base, and capacity-building strategies)
	Lack of or inadequate extra-budgetary resources and compliance with agreements	Absence of fundraising plan, incorrect agreements, non-fulfillment of substantive and financial requirements
	Inaccurate and untimely financial reports	Certificate of expenditure (COE) systematically incorrect or not signed, no matching with workplan, lack of supporting information, delays in submission
	High operating fund account balances (above 25% of annual expenditure) for national execution	COE systematically incorrect or not signed, accumulated delays of financial reports, operating fund account not reconciled
	Inadequate substantive reporting by counterparts	Poor quality of reports, delays in report submission, inaccurate information, absence of reports
	Inadequate control and assurance, unclear accountability	Participation in sector-wide approaches, joint-programming risk, complications arising from multi-party agreements
Technology and systems risk		
	Deficient information technology security and controls	Hacking, firewall failure, external disruption, lack of backup
	Inadequate information technology backup plan and disaster recovery	System failures, system maintenance, telecommunications, etc.
	Inadequate and inappropriate use of Atlas	Lack of segregation of roles, deficient trail, security
	Unreliable audit trails	System failures, system maintenance, telecommunications, etc.

ANNEX 2: RISK MODEL LIST OF VARIABLES

Category of risk	Variables
External	1. Security phase in the country
	2. World Bank governance rating
People	3. Vacancy in Representative, Deputy Representative or Country Director posts
	4. Proficiency in monitoring and evaluation methodology
	5. Proficiency in results-based management
	6. Use of programme managers monitoring and evaluation toolkit by country office staff
	7. Monitoring and evaluation entities in the country office
Process	8. Financial performance on regular resources
	9. Requisition, purchase order and local expenditure patterns
	10. Forecast expenditure in the fourth quarter on regular resources
	11. Monitoring and evaluation activities and investment in two previous years
	12. Extent of a monitoring database
	13. Extent of existence of baselines, indicators and targets
	14. Field monitoring visit plan and extent of achievement
	15. Mid-year and annual reviews of the office management plans
Relationship	16. Financial performance on other resources
	17. Resource mobilization performance
	18. Forecast expenditure in the fourth quarter on other resources
	19. Operating fund account management
	20. National execution accountabilities
	21. Growth of programme budget 2006 over 2005
	22. Timing of programme evaluation and of new country programmes
	23. Implementing partners use of programme managers toolkit
	24. Annual reviews with partners
	25. Support to building monitoring and evaluation systems in the counterpart ministry
Technology and systems	26. Quality of Atlas data
	27. Proficiency of country office staff in Atlas

ANNEX 3: FIGURES

Figure 1: Internal audit activities

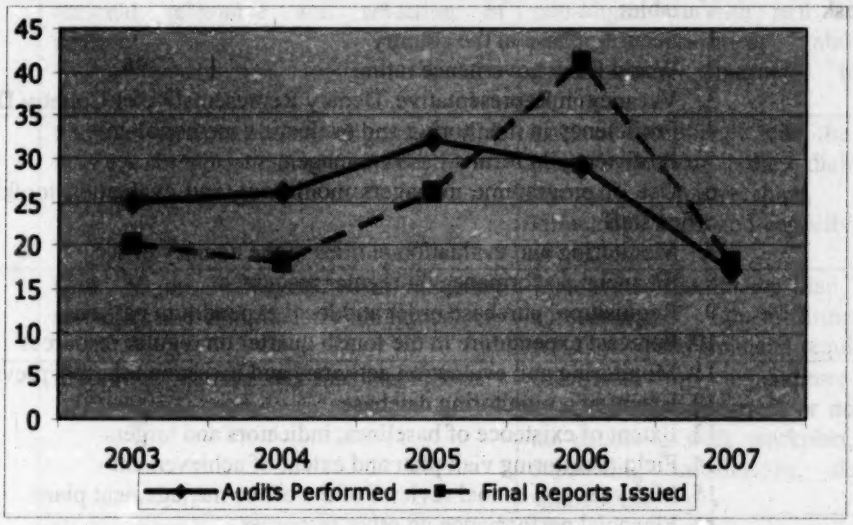
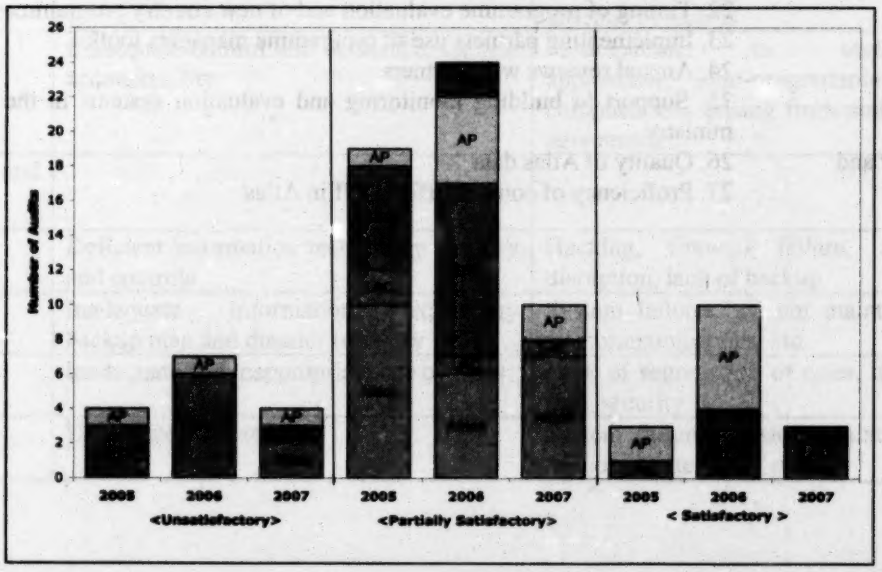


Figure 2: Breakdown of audit ratings by geographical division



AP: Asia and Pacific Region; LAC: Latin America and Caribbean Region; ASECA: Arab States, Europe and Central Asia Region

Figure 3: UNFPA - Risk universe

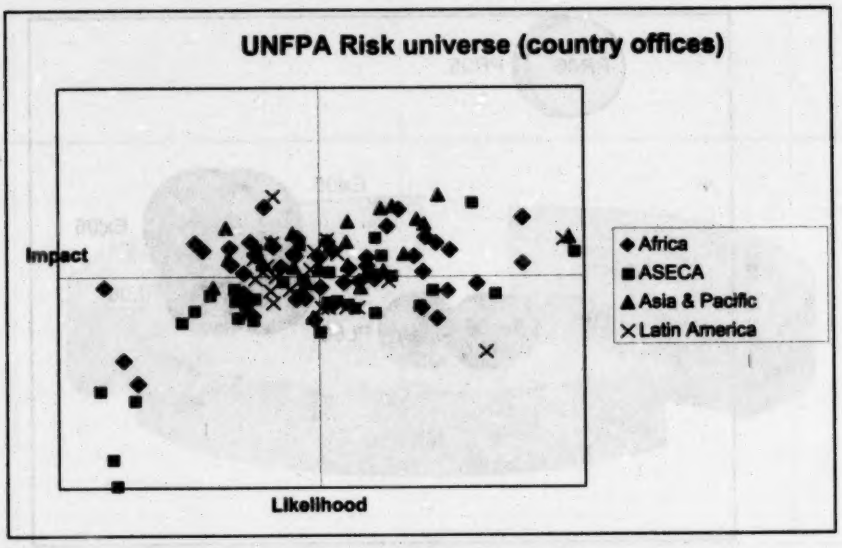


Figure 4: Volatility of the risk universe

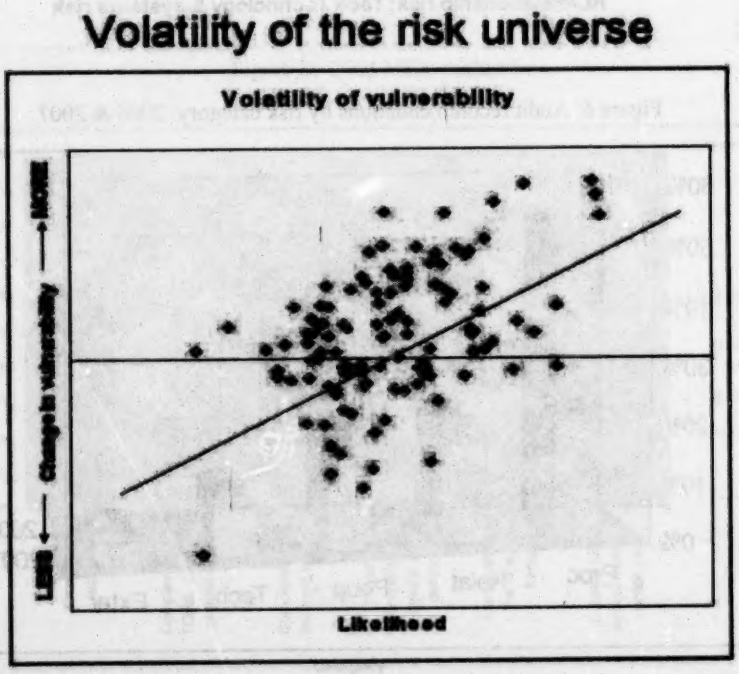


Figure 5: Global risk assessment and trends, 2005-2006

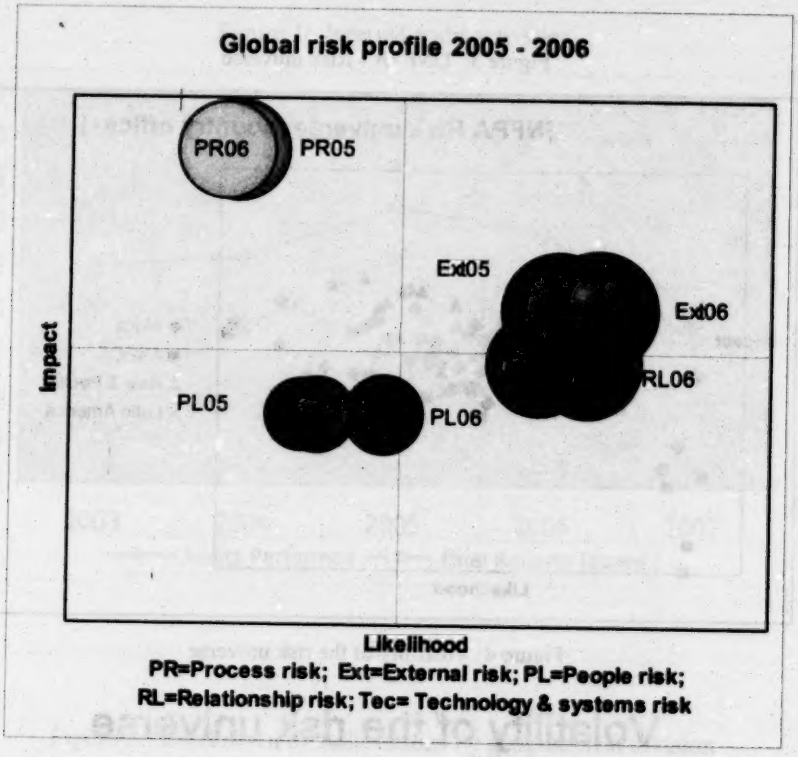


Figure 6: Audit recommendation by risk category: 2006 & 2007

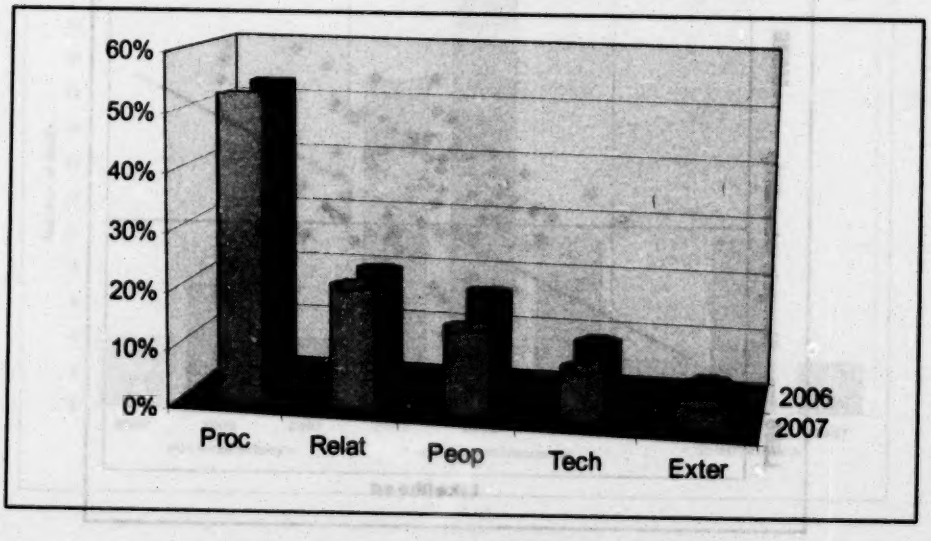


Figure 7: Breakdown of process risk by cause

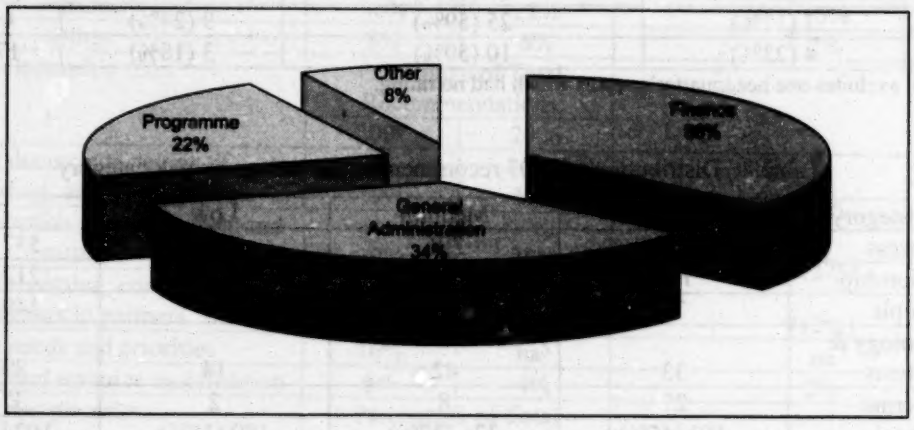
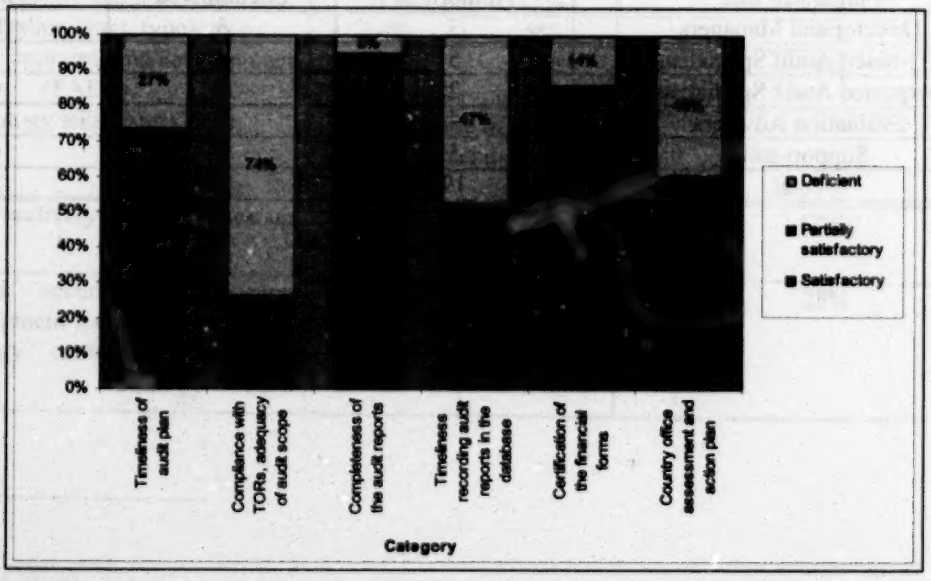


Figure 8: 2006 NEX evaluations



ANNEX 4: TABLES

Table 1: Number of reports and rating of reports issued by year

Year	Number of Reports (Per Cent)			
	Unsatisfactory	Partially Satisfactory	Satisfactory	Total
2004	4 (22%)	10 (56%)	4 (22%)	18 (100%)
2005	4 (15%)	19 (73%)	3 (12%)	26 (100%)
2006	7 (17%)	25 (59%)	9 (24%)	41 (100%)
2007	4 (23%)	10 (59%)	3 (18%)	17 (100%)*

* The total excludes one headquarter's report which had no rating.

Table 2: Distribution of 2007 recommendations ratings by risk category

Risk category	High	Medium	Low	Total
Process	198	206	133	537 (52%)
Relationship	126	62	24	212 (21%)
People	75	58	16	149 (15%)
Technology & systems	33	42	14	89 (9%)
External	27	8	2	37 (4%)
Total	459 (45%)	376 (37%)	189 (18%)	1024 (100%)

Table 3: DOS staffing as at 31 December 2007

Functional title	Authorized	Encumbered	Vacant
Director and Managers	3	3	0
HQ-based Audit Specialists	5	4	1
Outposted Audit Specialists	2	2	0
Evaluation Advisers	4	3	1
Support staff	5	5	0
Total	19	17	2

Table 4: Details of recurring findings and their change in frequency

Process risks	Percentage of Total Recommendations		Increase or (Decrease)
	2007	2006	
General administration	34%	38%	(4%)
Programme	22%	35%	(13%)
Finance	36%	21%	15%
Other	8%	6%	2%
Relationship risks	Percentage of Total Recommendations		
	2007	2006	
Project documents, letters of understanding, annual work plans	19%	17%	2%
National execution audit processes and results	19%	30%	(11%)
Financial reporting, controls and processes in partners	18%	30%	(12%)
Client needs and priorities	16%	na[5]	na
Co-financing and resource mobilization	6%	4%	2%
People risks	Percentage of Total Recommendations		
	2007	2006	
Service contracts and special service agreements	21%	42%	(21%)
Vacancies and timely recruitment	13%	14%	(1%)
Staff capacity and expertise	21%	13%	8%
Organization chart, typology	14%	5%	9%
Performance appraisal and development (PAD)	15%	10%	5%
Technology and system risks	Percentage of Total Recommendations		
	2007	2006	
Disaster recovery plan and back up of data	38%	45%	(7%)
Computer security, maintenance and equipment listings, information technology controls, Atlas user access	55%	32%	23%

[5] The 2006 figure could not be obtained as this sub-domain categorization was only created in 2007.

External risk areas	Percentage of Total Recommendations		
	2007	2006	
Security issues, compliance with security standards, insurance, missing commodities	57%	38%	19%
Emergency preparedness, response and post-emergency planning	19%	1%	18%